

1971

## The Soviet Merchant Marine

Albert E. May

Follow this and additional works at: <https://digital-commons.usnwc.edu/nwc-review>

---

### Recommended Citation

May, Albert E. (1971) "The Soviet Merchant Marine," *Naval War College Review*: Vol. 24 : No. 6 , Article 7.  
Available at: <https://digital-commons.usnwc.edu/nwc-review/vol24/iss6/7>

This Article is brought to you for free and open access by the Journals at U.S. Naval War College Digital Commons. It has been accepted for inclusion in Naval War College Review by an authorized editor of U.S. Naval War College Digital Commons. For more information, please contact [repository.inquiries@usnwc.edu](mailto:repository.inquiries@usnwc.edu).

## THE SOVIET MERCHANT MARINE

*The U.S. merchant fleet has often been treated as the poor stepchild in the development of this Nation's seapower, while, in fact, an efficient and modern merchant marine is vital to U.S. security. The state-operated Soviet maritime service, as well as the quasi-illegal competitive practices used by an increasing number of other countries, will challenge and place a strain on both the U.S. merchant marine and the competitive international maritime system.*

A speech given to the  
Proceedings of the Navy League Seminar  
on Soviet Seapower at New York  
by  
Mr. Albert E. May

Fortunately, there has been an increasing public awareness during the recent years of the Russian naval buildup. The same has not been true with regard to the less sensational but perhaps equally important Russian maritime buildup. This is understandable because it is hard for Americans even to understand the importance of their own, much less the Russian merchant marine. How many Americans are aware that, even in this space age, between 97 and 98 percent of everything we have moved to Vietnam has gone by sea, primarily in merchant ships? And, I might add, at one-fortieth the cost per ton of moving the same cargo by air. How many are aware that the merchant fleet is an essential element of any nation's seapower?

The Russians began their drive for an enlarged merchant marine at about the

time of the Cuban missile crisis in 1962. Since that time they have been highly successful. Their goals were outlined in two delightful paragraphs by Hanson Baldwin in 1964. Baldwin said:

Winston Churchill once likened the conflict between Communist Russia and the West to a contest between heartland and rimland, between an elephant and a whale, a land beast and a sea beast. Today the elephant is also trying to become a whale. Communist Russia, its goal a communist world, is trying to achieve as a means to an end, dominance over blue water, a dominion complete in all elements of sea power. This is an objective that Czarist Russia never achieved nor, indeed, even attempted.

## 46 NAVAL WAR COLLEGE REVIEW

In the long view of history, Russia's current drive for maritime domination may well become the most important development of the latter half of the twentieth century. The ambitious maritime policy of the USSR, the greatest land mass in the world, is supported by four major programs, unmatched so far in the west, in size or in scope. In simple terms, Russia is attempting to do these things: acquire the largest merchant fleet in the world; operate the largest and most modern fishing fleet in the world; control or neutralize the narrow sea bottlenecks of global shipping, the Panama Canal, the Suez Canal, Straits of Gibraltar, and Malacca; strengthen materially the deep sea elements of the Soviet Navy, already the world's second largest fleet.

While the elephant has not yet become a whale, it is swimming suspiciously well. From virtually nothing at the end of World War II, the Russians have built a modern merchant fleet that is now the world's sixth largest and also the world's most modern. By selectively cutting rates, the Russians have penetrated most major world trade, and this has been accomplished in only about 6 or 8 years. Particularly, this has been true in the lesser developed countries. Their success is pointed up by the fact that 11 of the 15 major ship lines operated by the Soviet state are members of the world steamship conferences, and the other four lines are applying for membership at the present time.

Just recently our Federal Maritime Commission authorized a Soviet wholly owned Far Eastern steamship company to enter the trade between Japan and the United States. Significantly here, they are not trading between Russia and the United States, but they are carrying

trade between Japan and the United States. This is the first regular Russian shipping service to our shores in over two decades.

The tariff filed by the Russian company with the Federal Maritime Commission shows rates ranging from 13 to 47 percent below the conference liner rates in that trade at this time. In fairness I should point out that many companies, when they first enter a new trade, cut rates in order to become established. These practices are usually not unduly disruptive of regular service because the economic strength of all the carriers is roughly equivalent, but this is not true when one must compete against a company that has the backing of the financial resources of the Soviet Union.

While I personally distrust and dislike statistics, I nevertheless think it is important to discuss some comparative merchant fleet figures in order to illustrate both the economic and military impact of the Soviet merchant marine buildup.

Today there are 19,570, or roughly, 20,000 merchant ships in the world of at least 1,000 tons.\* In all cases I am speaking of merchant ships which are over 1,000 tons and are participating in foreign trade. These ships represent a total tonnage of about 297 million. Thus average weight per ship for the world's merchant fleet is 15,000 tons, and it is worth noting that the average weight per ship has greatly increased over the past few years.

The Russian fleet today has 1,717 ships of about 12,700,000 tons. Their ships are much smaller than the world average—averaging only half of world size. This is significant because it establishes that the number of ships they are building is really not the true comparative measure of their merchant growth

---

\*For this article, tonnage given in dead-weight tons, i.e., displacement tonnage of vessels concerned.

because of the disparity of ship size with Western construction. In 1969, Soviet ships averaged only 9,000 tons apiece against a world average of over 100,000. I will touch upon the reasons for this later.

In comparison, the U.S. merchant fleet exceeds the Russians' by 220 ships (1,937 vs. 1,717) but has nearly double the tonnage with 24,000,000 tons. Of the total U.S. inventory, 1,006 are owned by the Government—all built during World War II—and of this number 700 are marked for the scrap pile, and the rest should be.

We now have 931 ships in our private commercial fleet, representing 15.5 million tons, and will lose between 300 and 400 of these within the next 3 or 4 years because they are obsolete World War II-built ships.

But figures do not tell the whole story and in this case tend to hide some facts and perhaps overstate others. For instance, the tonnage of the world fleet grew 8.9 percent in 1969 but only 1 percent in the number of ships, for the reason that the average ship delivered to the world fleet in 1969 weighed in at 110,000 tons. This is an incredible figure and represents the weight of two battleships *Missouri*. I should perhaps not have been surprised because we are now running some ships that weigh 327,000 tons, and, for those of you interested in navigation, they draw 76 feet of water. The Japanese are building oil and ore carriers that weigh 490,000 tons and they will draw 85 feet of water.

The U.S. fleet declined by about a million tons during 1969—we scrapped 1.5 million tons of obsolete shipping and added 22 ships totaling 600,000 tons. While in quantity we are still somewhat ahead of the Russians, it is ominous to note that 80 percent of their fleet is less than 10 years old and 80 percent of our fleet is over 20 years old. It was a concern over the aging of the U.S. fleet that prompted President

Nixon to recommend and the Congress to pass the new merchant marine program which the President signed last October. Under this program we will add 300 ships over 10 years, and this construction should stabilize our fleet at 15½ million tons.

I would again like to qualify this figure as it could be misleading. The new ships are so fast, their port turnaround is so good—four times as good as a conventional ship—that we will actually increase our annual ton-mile capability by 2½ times. This despite the fact that the amount of tonnage in the fleet remains stable and the number of ships will actually decline.

The Russian goal, often announced, is to continue to add a million tons a year through 1980. This will mean that by that time they will have 22 million tons of very modern shipping, or considerably more than we have even if we meet our building goals. The Russians are building small and generally rather conventional but very high-quality ships. Apparently they are concentrating their foreign trade upon service to the undeveloped countries where harbors and port facilities are often not well suited for large or container-type ships.

In addition, the Russians rely very heavily on sea transport within their own great basins to provide domestic transportation across their own seas. Therefore large portions of their sea tonnage at the present moment are dedicated to what they call "little cabotage" or intrabasin movement within the Baltic and Black Seas and their far east ranges. The barge system, which complements these coastal operations, is the largest and most sophisticated in the world, a reflection of the fact that both their rail and highway systems are, to put it kindly, rather rudimentary. But their barge system is magnificent, as is their coastwise shipping.

The just past and current Ministers of the Soviet Merchant Marine, Mr.

## 48 NAVAL WAR COLLEGE REVIEW

Bakayev and Mr. Guzhenko, have repeatedly and very bluntly stated that their goal is maritime self-sufficiency. They are never going to be caught in the bind they were at the time of Cuba. They point out that they are going to use their fleet, and they are perfectly blunt about this, for political and military reasons as well as for economic penetration. As the Czechs and Hungarians have learned, it is often rather wise to take the Russians at their word.

Despite these facts of record, some commentators have stated that the Russians are not presently a serious maritime threat, for their fleet, after all, represents only 7 percent of the world's ships and 4 percent of its tonnage. The size of the fleet, however, is not the measure of its importance, for it is conceived and used directly as a political and economic tool of the Russian state.

The traffic pattern of the Soviets is an interesting one. Soviet trade is completely documented and channeled. Each of the great vertical economic trusts, which control all of the Russian society, controls its own cargo. Thus when the Minister of Petroleum wishes to export his products, he outlines to the Minister of the merchant fleet what his program is going to be over a period of years, and long-term arrangements are made. This is true of every one of their major exporters and is also true of the major importing and acquiring agencies of the Soviet state. Therefore, insofar as the Soviet merchant marine is concerned, it is not bothered with competition. They simply do not have to compete with the ships of other nations to carry that portion of the cargo which their government feels is essential to their well-being. They merely transport that portion of their cargo which they feel is important and necessary to sustain their political, economic, and military objectives. Nothing else matters to them.

Being able to control and funnel

cargo from both ends, the Soviets do not have the kind of economic and traffic path problems that we have in trying to build our fleet up. I do not mean by this that we should begrudge the Russians their fleet. I personally believe that increased trade with the Soviets will, over the long term, lead to our mutual economic well-being and, hopefully, world peace.

Our concern should be with our own fleet and its revitalization. The national priority given to these objectives in the bill signed in October is a very major step forward. The success and vitality of this program—the building of these ships and their availability to support the military in time of need—are entirely dependent upon whether we can fill them with cargo. There are an increasing number of trades in which American ships provide equal or superior service, equal or superior delivery time and rates, but still cannot secure more than a fraction of the available commercial cargoes.

Some of the reasons for this are state-owned fleets, such as the Russians', where cargoes are directed by government fiat. Their rebating and other illegal competitive practices are becoming increasingly widespread. These are particularly pernicious and disruptive to the American operator because under U.S. law we can be sent to jail for rebating. Foreigners do it constantly. Few, if any, foreign nations make any attempt whatsoever to police their illegal rebating and, in fact, often impede the attempts of our Federal Maritime Commission to do so.

In addition, there are increasing numbers of foreign laws, even in the non-socialist countries, which require that a certain percentage of the nation's commercial exports and imports move on their own flag ships. Brazil, one day, simply came out and said, "We are going to carry 50 percent of everything in our trade." Before that they had been carrying 10.

There is also an increasing number of foreign economic consortia which own basic sources of manufacture and production, as well as steamship companies, and, of course, favor their own vessels. Japan is a case in point in this regard. In the 1950's the great horizontal and vertical economic trusts in Japan that were broken up by MacArthur after the war were reformed, and just recently we have seen a great deal of discussion in the popular press of something called "Japan, Inc." This is a reflection of the fact that the Japanese Government, to an extent that would appear unique even in some socialist countries, is involved in every aspect—the planning, the financing, the production—of the Japanese economy. This is particularly true in the export and shipping trades.

Some years ago the Japanese announced that they intended to carry 50 percent of their foreign trade. They did it. Just recently there have been press reports that their goal is now to carry 60 percent.

Well, obviously, if they carry 60 percent of the trade between the United States and Japan, at best we can only get 40, but there happen to be about 13 other countries, including Russia, with ships operating between the United States and Japan. So, if the Japanese, through various devices, are going to insure that their ships get 60, the "third-flag" lines are going to have to be forced out if we are going to get even 40. This is a very severe problem, and it is spreading around the world. I am not picking only on the Japanese; this phenomenon is happening in Europe and elsewhere.

The extent of the Japanese buildup is highly visible as Japan today has over 2,000 oceangoing ships. They added 407 new ones last year. According to Helen Bentley, the Chairman of our Federal Maritime Commission, the Japanese Government plans to add—and these are privately owned companies,

announced it—60 million more tons of shipping to their fleet by the end of 1975. If they meet even half of this goal, they will, at that time, have one-fifth of all the merchant shipping tonnage in the world.

In an immediate economic sense, the ability of the privately owned U.S. fleet to expand is more jeopardized by the unfair and often illegal practices of some free world shipping nations than by the Russian fleet. Our industry is already devoted to working energetically with the Government and businessmen to convince U.S. exporters and importers of the national benefits of using our ships for at least half of their cargo. We are also cooperating with the Government to eliminate unfair competitive practices.

Let me underscore with you, however, that if unfair practices continue, we in the American industry will have no alternative other than to seek Gov-

---

### BIOGRAPHIC SUMMARY



Mr. Albert E. May did preparatory work at Gonzaga College Preparatory School, served 2 years as a midshipman at the U.S. Merchant Marine Academy, earned an A.B. degree from Georgetown University, and subsequently received a Juris Doctor degree from the university's law center. During the Korean war he served as an officer of the U.S. Coast Guard; from 1955 to 1959 he was associated with the law firm of MacLeay, Lynch and MacDonald, specializing in transportation law; from 1959 to 1968 he was Assistant Executive Director of the Committee of American Steamship Lines, which represented liner companies holding operating-differential subsidy agreements with the Government; and in 1969 he assumed the vice presidency of the American Institute of Merchant Shipping, a national trade association whose membership currently includes 32 operators who operate 500 ships in foreign and domestic trade.

## 50 NAVAL WAR COLLEGE REVIEW

ernment cooperation to establish, where necessary, bilateral shipping agreements or other procedures that will assure us fair opportunity.

Given a free competitive climate, we can and will compete with the fleets of our trading partners, including the Russians.



It is not fear of the Soviets that should impel us to act to restore our American flag merchant marine. We should do so out of a sense of positive national purpose, decent self-interest and national pride. And we had better do it fast.

*Joseph Curran, President, National Maritime  
Union of America, AFL-CIO, Soviet Life,  
March 1965*